PRODUCTS

"Wine coolers—still on a roll"

For the past few years they've been the darling of the beverage category, thanks to a string of double-digit gains. New flavors and hefty consumer spending figure to stir them to new highs.

Consider these facts:

- Two out of every five regular wine cooler drinkers consume them at least once each week.
- More than half, 55 percent, drink two or more glasses.
- More than one in four regular wine cooler drinkers orders them at bars, and 51 percent say they'll do it at any time day or night.

Since wine coolers were first introduced in 1983, they have enjoyed phenomenal status in the alcoholic beverage business. Sales gushed from 7 million gallons in 1983 to more than 200 million gallons last year, creating a whopping $1.3 billion market.

For the past three years, coolers have been rolling up gains in the double-digit range—up 22 percent from 1986 to 1987 alone. And despite a recent slowdown in the rate of gain, all signs indicate they will continue to roll through 1988 and 1989.

One reason is the massive amount of ad spending behind cooler brands this year. Heavy-hitters like Seagram, Gallo, which makes Bartles & Jaymes, and Miller (Matilda Bay) are expected to spend more than $100 million combined in 1988 to strengthen and increase market shares in a year of realignment among top brands.

Taste is key: Whether the growth burst continues at a hot or more moderate pace, this much seems clear for cooler business in '88: Wine coolers are now a mainstay among a large demographic cross-section of Americans—especially 18-to-34-year-olds and women drinkers across all age categories.

According to recent studies, nearly 8 out of 10 regular wine cooler drinkers, 79 percent, drink them because they like the taste, and seven out of 10 (71 percent) prefer them for their "thirst-quenching" qualities.

Peach, the runaway favorite in 1986, gave way to wild cherry last year. It's still too soon to tell what the top flavor of 1988 will be, but several new concoctions are in the running and will soon be entering distribution systems to fight for flavor-of-the-year honors.

Jos. E. Seagram & Sons' John Oliver is among those who project continued high-volume growth for coolers, especially his line of wine and spirits flavors. "Our figures show almost as many men as women now drink wine coolers and almost as many in the older-age groups as 21-to-34-year-olds. In fact, wine cooler consumption actually cuts across all economic groups."

Seagram's Golden Wine Cooler, he says, helped bring a stronger measure of sophistication to the entire category, with a more pronounced wine flavor and a tonier packaging approach. Seagram's original target group was slightly older—the 25-to-49-year-olds—but sales have spilled into the younger category, says Mark Taxel, executive vice president for marketing at Seagrams Beverage Co.

As a rule, people will order wine coolers any time of the year. "They're year-round drinks today," says Richard Fuller at Bartles & Jaymes. More important, as a Yankelovich study for People magazine points out: The key to the future wine cooler gains is the feeling that the drink is not a passing fad.

More than half of all regular cooler drinkers (54 percent) feel they're now mainstays in their drinking diets. Most say that's because they contain 'the right amount of alcohol for today's drinking habits and aren't filling as other alcohol-content beverages."

What next: Originally viewed as an entry-level drink and stopgap to the falloffs in wine and spirits sales, wine coolers now have a life of their own on the bar operator's drink menu.

As food and beverage director Doug Bates at Chili's sees it, the high degree of public awareness and ad-promotion behind wine coolers makes them a prime development category for the year ahead. "Consumers are preconditioned by TV advertising," he says, "but would rather drink a bottle in a restaurant than buy a six-pack at a liquor store, and that's the kind of demand we're experiencing.

THE INSIDE FACTS ABOUT WINE COOLER DRINKERS

Where/When They Buy		*How much They Drink*		*How many Brands*	
Bars	26%	1 glass	30%	1 brand	29%
Day & night	51%	1-2 glasses	26%	2 brands	36%
Cocktail time	20%	2-3 glasses	12%	3+ brands	30%

Source: Yankelovich Clancy Schulman 1986 study for People magazine (633 telephone interview, national sample)

THE CHANGING COOLER LINEUP

When all the dust finally settled last year, Seagram's was on top of the wine cooler heap with 30 percent of of the market. That dropped Gallo's Bartles & Jaymes to second, with a 27-percent slice of the business, and set the stage for a major marketing confrontation between Gallo and Seagram's throughout the coming year.

The third-most-purchased cooler brand in 1987 was Brown-Forman's California Cooler (the brand that started the boom, in fact) at 18 percent of total sales. In fourth place: Canandaigua Wine Co.'s Sun Country, with 13 percent.

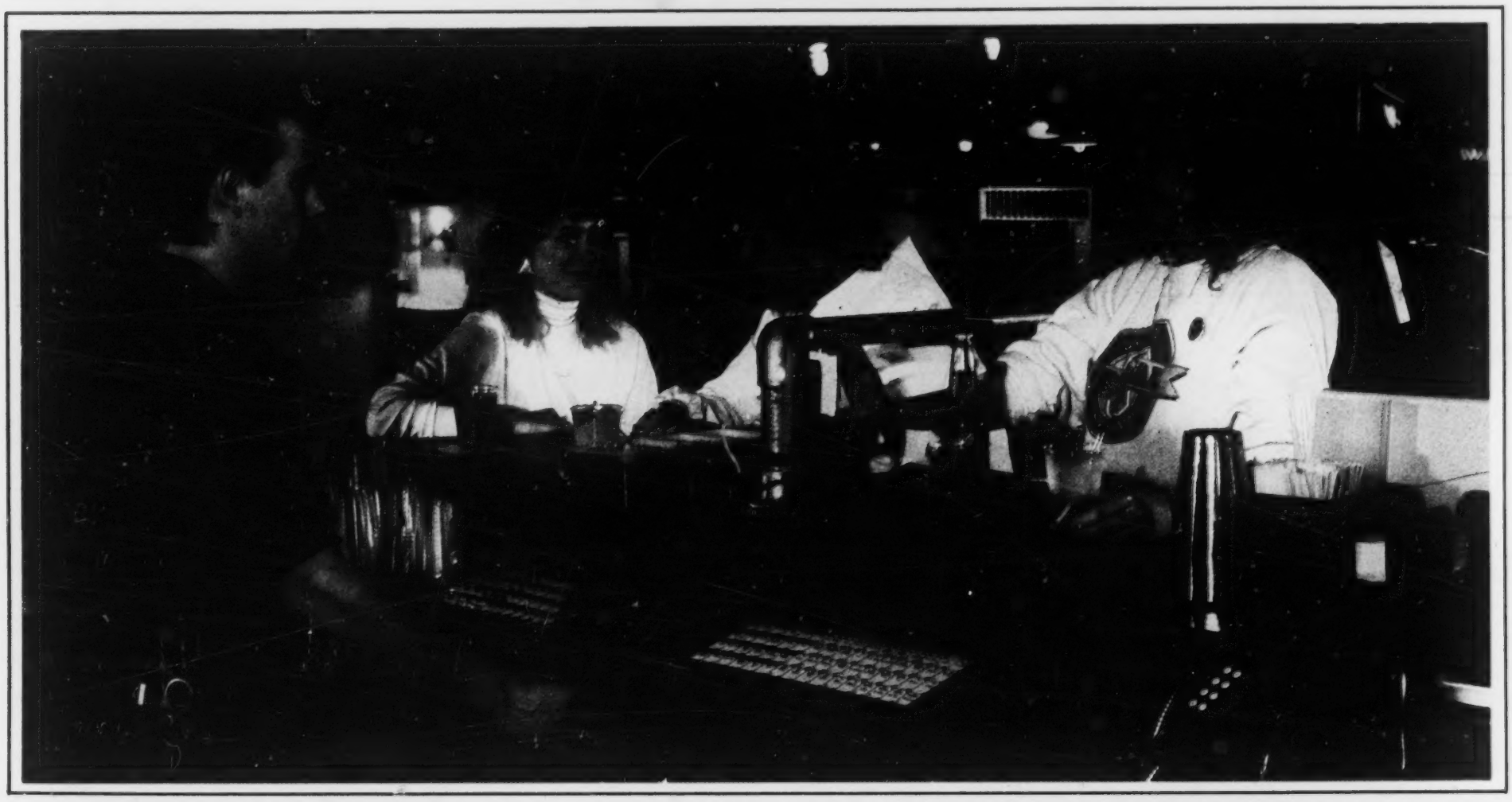
During the year, too, Anheuser-Busch decided wine coolers didn't fit its lineup. This month, the beer maker will close out all production and distribution of its Dewey Stevens line.

At the same time, competitor Miller Brewing Co. continues to spend heavily to ride its Australian-oriented Matilda Bay Cooler into a stronger position in the wine cooler standings.

EQUIPMENT

"Meet Robobar:"

It's the ultimate drink dispenser. Bottles are stored in an off-site 'feed room' and bartenders mix and serve drinks at the flick of a finger.



Upstairs, the bartender at the Original Sports Bar can choose from a variety of mixes to pour any premeasured drink.

Mark Facto, the day manager at The Original Sports Bar in Baltimore says you have to see it to believe it.

Since opening last year, the sports bar has been dazzling customers and curious industry visitors with the ultimate drink-dispensing machine—an automated, all-purpose, gun-pouring system that controls bottles off site and mixes drinks in front of the patrons, premeasured and to order, at the flick of a finger.

"It virtually eliminates overpours and waste," Facto says. "You build all your drinks on the keyboard and dispense them through a gun that's hooked up to bottles in your feed room."

Except for certain juices or garnishes, he says, "Robobar" mixes all sodas and liquor combinations to create just about every drink on any menu today—for both house and call brands.

"There are a few exceptions to what the system holds," he points out. "Bailey's Irish Cream, for example, isn't in the system because it requires refrigeration. But every other liquor or liqueur we have in stock can be set up on the feed rack and fed into the lines."

A big advantage, he says, is that besides controlling pours and saving bartenders countless steps to locate bottles and call brands during peak time, the system cuts actual mix and pouring time to seconds and puts the lid on overpours at the same time it keeps liquor inventories under the operator's thumb.

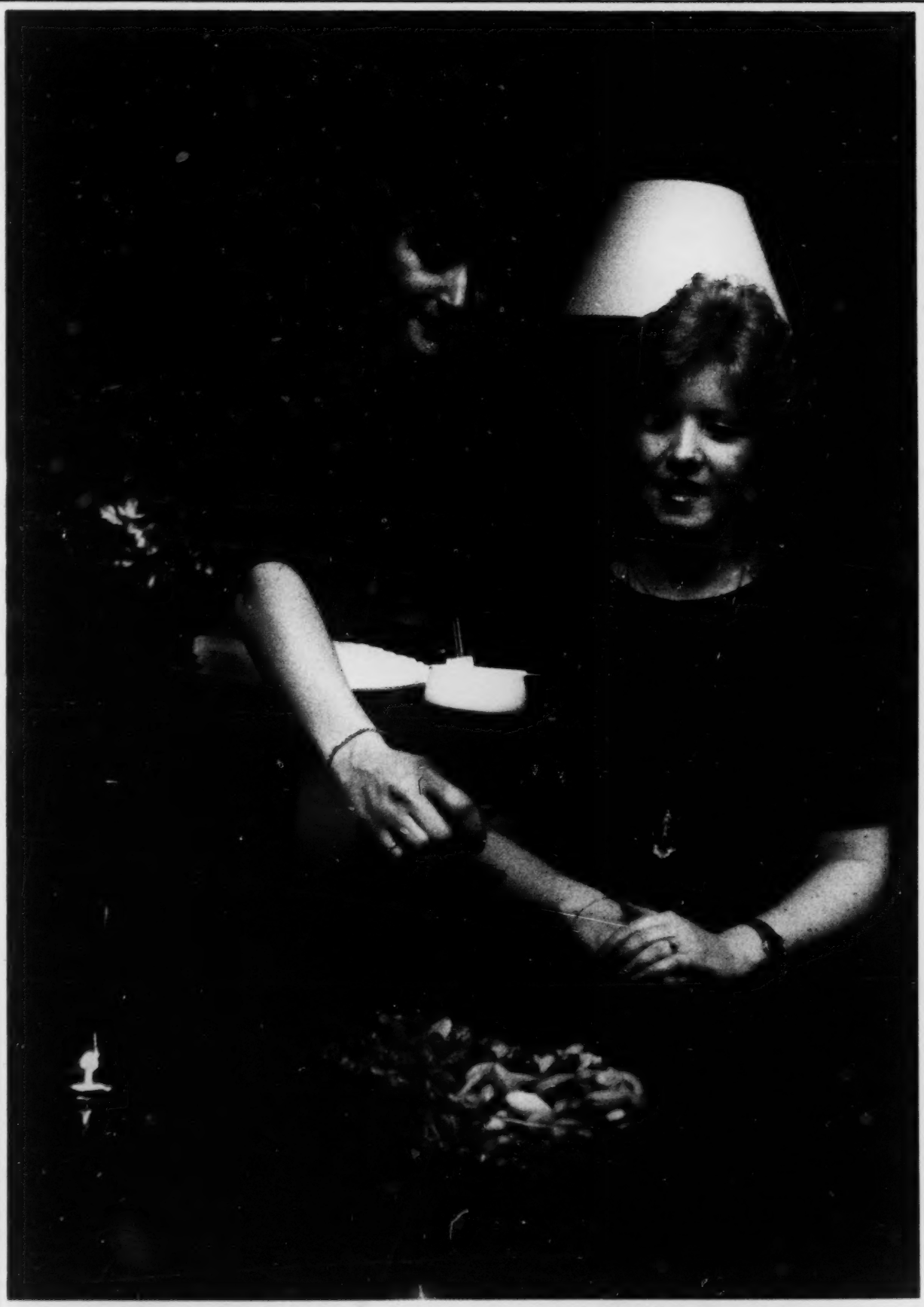
Mix & Match: Whether the customer calls for a generic rum and cola or a Bacardi and Coke, a vodka and seltzer or Absolut and 7-up, each drink is punched into the bar terminal.

And every time, the bartender pours a properly premeasured drink that automatically registers each order on a customer tab by name, mix, and total number for each dispenser location and provides the operator with an up-to-the-minute sales record of every drink sold on each shift.

Each time a customer orders a

How women are shaking up our drinking habits

They like flavored drinks, order more specialty cocktails, wine coolers and light beers—and they dominate consumption patterns in 28 of 45 major beverage categories today.



Women are increasingly insisting on flavor and palatability in their drinks.

All the latest studies point in the same direction. They say that women have shaken up the national drinking habit, changing what men drink and how bar operators are doing business today. On top of that, they're probably creating 90 percent of the hot, new drinks that make it around the country these days.

"The majority of new drinks are for women," points out Dave Eikholt, vice president of marketing for Heublein, who tracks hot and emerging new drink concoctions from bars all over the country each month. "Women are just more venturesome than males. They establish the newcomers like Fuzzy Navels or Margaritas, and the guys pick up on them later."

The latest round of hot, new drinks women are trying have wild names like "Sex on the Rocks" and "B-52s," Eikholt says, and they're all being stirred by tastes and flavors women want in their drinks.

Diane Sfair, manager of Detroit's London Chop House, says women have been shying away from the darker liquors and heavier beers for several years. Today they order more gin and vodka mixes. "That's why the Absolut Vodka is our No. 1 seller. We also sell a lot of vintage ports from $4.24 to $30 a glass."

The Detroit bar's list of sweet wines has increased roughly 25 percent in the past three years, Sfair adds, and most of it can be directly traced to female demand and consumption.

Women are changing national drinking patterns, points out John

Women are ordering drinks with names like "Sex on the Rocks" and "B-52s."

Oliver at Jos. E. Seagram & Sons, for a variety of reasons, but two stand out: "They are better educated about wine and spirits consumption, and women are more inclined to ask for drinks by brand than men are."

This dovetails with a midyear '87 study by Beverage Industry, which finds 49.1 percent of women in the influential 21-to-34-year-old group today read ingredient labels closely and consider them "very important"—compared with 36 percent of men polled. And 38.6 percent of all women consider brands more important to their ordering decisions than do men (27.8 percent).

Flavor No. 1: If women have identified any single ingredient that flows through their drinking choices today, it's probably taste. Women insist on flavor and palatability in their drinks. As a result, the flavor trend now cuts across every major classification of spirits, wine, and beer, and men's tastes are making the switch, studies conclude.

- Younger "upscale" women, national surveys indicate, lean more toward light import beers and rum, tequila, and bourbon when they mix drinks.
- Young middle-income women in the 21-to-34 age bracket say they prefer sweet, low-alcohol drinks (like Sangria, popular wines, and wine coolers) and fruit-flavored specialty drinks and mixes.
- Middle-aged "upscalers" go for table wines, cordials, aperitifs, champagnes, and premium wines, the studies conclude.

Overall, women now dominate consumption trends in 28 of 45 beverage categories—especially juices, bottled waters, prepared cocktails, cordials, coolers, and liquors.

The so-called female bias is evident in three broad areas of the national drinking trend of the '80s, in fact: (1) The upsurge of white liquors (like tequila, vodka, and rum), (2) a steady growth in cordials volume, and (3) drinks that have some juice in their formulations.

Their influence in what men are drinking is becoming increasingly clear, too. Doug Bates, food and beverage director at the 125-unit Chili's chain, says: "We see sweeter drinking happening to an increasing degree overall, and more men seem to be ordering coolers and sweeter wines."

THE FEMALE INFLUENCE

Category	Women Drinkers*	National Average**
Wine	60.7	32.3
Sparkling Wines	35.3	25.0
Vodka	31.1	24.9
Light Beer	29.8	25.2
Wine Coolers	26.3	21.9
Gin	17.0	15.8

Source: *Good Food magazine; **Simmons research, 1986

Linda Bruestle, manager of Champs sports bar in Minneapolis, agrees that women have set the pace, specifically in the wine category, "especially with coolers. I believe bottle styling and packaging makes a bigger difference with women than with men, and all the top product makers seem to be tailoring their efforts in that direction."

Champs these days promotes its wines in smaller "individualized" bottles to appeal more to female drinkers. "Each bottle contains two glasses. We find women are more inclined to order them and maybe one or two more and still spend as much as they would for a regular-sized bottle."

Around Detroit, she says, fruit flavors, like raspberry and apple, are favorites with her women customers. But orange and cranberry show signs of becoming major calls in the new year.

Ainsley Williams of Spanky's says the female influence on drinking in his Savannah, Ga., units is a bit more moderate. Men are still drinking the same type of basic drinks they traditionally did," he points out, "but schnapps is still popular. And we sell a lot of sweet shooters and cream shooters to women. So far, our male customers haven't followed the gals toward these types of drinks."

Trade-up push: Nevertheless, because of the strong attitudes women have about brands, major marketers in the spirits, wine, and beer classifications are counting on them to fuel industrywide trade-up drives in 1988 and beyond to rebuild volume levels that fell in recent years.

"We consider women an important part of today's trade-up syndrome," a Seagram spokesman points out. "You just can't assume it's the businessman who's the target of industry trade-up efforts any more."

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NEWSPAPER

Savvy restaurateurs ride seafood wave

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Nation's Restaurant News®

The Weekly Newspaper of the Food-Service Industry

Vol. 22, No. 12 | Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $26.50 a year | March 21, 1988

House panel OKs $5 wage

But industry wins 50-percent tip credit

By Ken Rankin

WASHINGTON — A committee of the U.S. House of Representatives has approved raising the minimum wage to $5.05 from $3.35 over the next four years.

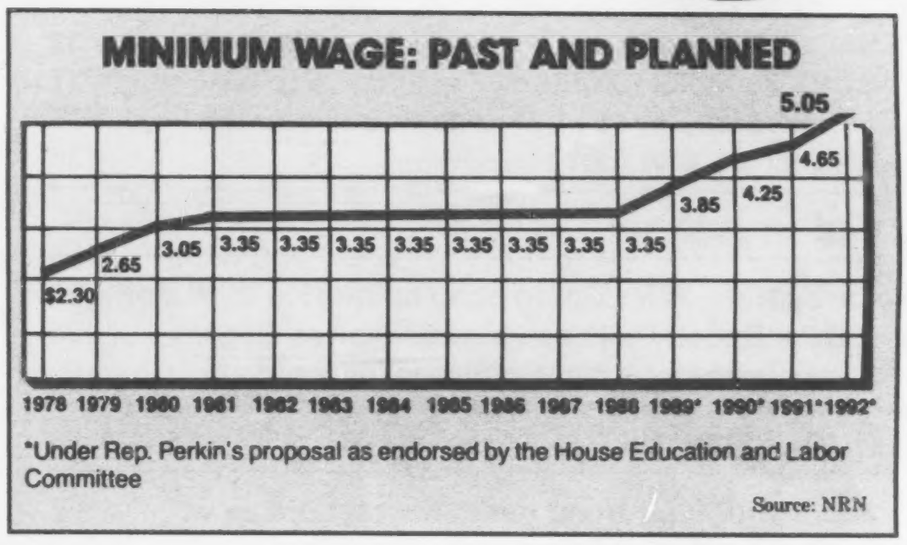
The Congressional Democrats also voted to sugar-coat the pending minimum-wage legislation by boosting the present 40-percent federal tip credit to 50 percent.

The move was designed to at least partially atone for the provision in last year's revenue bill requiring restaurateurs to pay Social Security (FICA) tax on employee tips.

But before food-service industry lobbyists could celebrate the tip credit victory, the full House Education and Labor Committee raised the stakes in the continuing minimum-wage battle by endorsing a new plan to boost the national hourly pay floor to more than $5.

The controversial wage proposal, advanced by Rep. Carl Perkins (D-Ky.) during the House committee's markup session earlier this month, came as a rude shock to opponents of the pending minimum wage bill, who were expecting the panel to virtually rubber-

*(See **WAGE**, page 108)*



Richard Perry, owner of Richard Perry's Restaurant in St. Louis, left, and Carl Bruggemeier, co-owner of The Phoenix in Cincinnati, at the International Food Media Conference in Kansas City.

Sous vide hot topic at 'heartland' confab

By Joe Edwards

KANSAS CITY, Mo. — Forget fried chicken with white gravy and meat loaf with cheese. High-tech sous vide was the surprise hot topic at a big powwow here on "heartland" food.

Amid all the talk about the "real, honest food" of the Midwest, several restaurateurs and food experts praised sous vide—French for pouch cooking.

They told the 150 food writers attending the International Food Media Conference at Westin Crown Center that pouch cooking is an important part of the trend toward convenience foods and a labor-saving technique for restaurateurs.

Calling sous vide "a revolutionary process," Carl Bruggemeier, co-owner of The Phoenix food-service complex in

*(See **SOUS VIDE**, page 108)*

Peasant sets formal affair

Atlanta group plans high-brow supper club

By Jack Hayes

ATLANTA — After six years of on-and-off negotiations, Peasant Restaurants Inc., a restaurant group best known for a string of casual operations, has completed a deal to open its first formal property.

The approximately 13,000-square-foot downtown lunch and dinner club is set to open by October in the lavishly renovated 1913-vintage Hurt Building.

The Peasant brood of upscale, casual dining spots began with the Pleasant Peasant in 1973 and now includes the Peasant Uptown; The Public House; Park; Country Place; Dailey's; Winfield's; a Pleasant Peasant in Washington, D.C.; three Mick's diners; Buck's; and the California-inspired Trio.

The new restaurant will occupy a major part of the building's second floor, with a massive marble-staired entryway at mezzanine level.

Decor in the main dining room and private banquet rooms will be Old World traditional, and the menu will feature steaks, chops, and

*(See **PEASANT**, page 108)*

Pillsbury sells Bay Street chain

By Peter J. Romeo

DALLAS — Pillsbury has kicked off its restaurant divestiture program by agreeing to sell the 16-unit Bay Street seafood chain to a management group backed in part by Restaurant Associates, the New York dinner house operator.

The deal also marks the debut of a self-described "boutique banking concern" called Restaurant Capital Corp., which said it plans to amass a portfolio of restaurant investments by bartering operating expertise as well as financing.

Meanwhile, Pillsbury's dinner house subsidiary, S&A Restaurant Corp., is continuing negotiations to spin off its Key West Caribbean concept to the fledgling chain's manager, Dennis Hood. S&A is also talking with other parties.

Some 2,000 miles away in Pillsbury's Minneapolis headquarters, executives are debating which of the conglomerate's other restaurant chains, if any, should

*(See **BAY STREET**, page 4)*

FOOD WATCH

Carpaccio cups

SAN FRANCISCO — Carpaccio, that Italian delicacy of raw, paper-thin slices of beef, comes with five different condiments at one restaurant here.

Bill Miller, co-owner of 17-month-old RAF Centrogriglia, said tarragon-mustard sauce and a combination of capers, roasted garlic, and Parmesan cheese shards are the best sellers. Other RAF carpaccio condiments include grilled onions and olive oil, aïoli, and anchovy.

For one carpaccio dish, executive chef Rosemary "Rick" O'Connell rolls the beef into cups, or "pockets," and stuffs them with fresh Asiago cheese, fennel, and roasted garlic. The pockets rest on lemon slices and Italian parsley.

—Alan Liddle

CHARLES BERNSTEIN COLUMN ANCHORS NEW NRN SECTION — PAGES 3, F3

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Vol. 22, No. 12 March 21, 1988

NEWS DIGEST

Shoney's licensee RMS hires banker to assess sale

MACON, Ga. — Restaurant Management Services, a Shoney's franchisee here, said it has retained a San Francisco investment concern, Montgomery Securities, to assess the possibility of selling the company.

Restaurant Management has received several overtures but no formal acquisition bid as yet, said chairman Robert Sinclair.

"No one should conclude from this action that any offer for an acquisition of the company will occur in the near future or at any other time," Sinclair asserted.

Legal Sea Foods adopts Shandong fare of China

BOSTON — Legal Sea Foods, the six-unit restaurant chain here specializing in simply prepared seafoods, has broken with its plain-is-best tradition by adding an array of authentic dishes from the Shandong area of China.

The region's seafood-based cuisine is little known in this country. The examples now available at Legal, including vinegar-pepper seafood soup and salmon fillets marinated in scallion oil, were developed for the chain by two visiting Shandong chefs, Ji Yonghe and Li Yongchen of the Xi Yuan Hotel in Beijing.

Ninfa's opens seafood place in new diversification step

HOUSTON — Ninfa's, the Laurenzo family's budding restaurant empire here, has branched into the seafood dinner house market with the opening of Joey Jack's.

The restaurant's à la carte menu lists such standards as shrimp, oysters, and clams in addition to an array of side dishes.

Ninfa's, which is best known here for its nine casual Ninfa's Mexican restaurants, has been on a diversification tear. Recently, the privately held company spun off a fajita delivery service. It is also developing a drive-thru Italian chain called Bambolino's.

Häagen-Dazs rolls new soft-serve frozen line

MINNEAPOLIS — Häagen-Dazs, Pillsbury's string of 300 dipping stores, is rolling out a line of soft-serve ice cream in a bid to differentiate itself from the horde of other chains specializing in superpremium frozen desserts.

The ice cream vendor is also adding an almond crunch version of its ice cream bar.

Pillsbury, which also operates Burger King, Godfather's Pizza, Bennigan's, and Steak and Ale, has been criticized for lagging behind competitors in new product development.

LA chef Yamaguchi plans to open restaurant in Oahu

OAHU, Hawaii — Roy Yamaguchi, the award- winning former chef and ex-partner of 385 North in Los Angeles, has leased space with a new partnership here to open Roy's, a 125-seat restaurant on the harbor in Hawaii Kai.

Budgeted for $1 million and set to feature Yamaguchi's contemporary, French, and Asian-influenced cuisine, Roy's is scheduled to begin construction in June and open by November.

Spartan deal to add 135 Hardee's units in 5 years

SPARTANBURG, S.C. — Spartan Food Systems has inked an agreement with Hardee's that calls for Spartan to open 135 new Hardee's restaurants over the next five years and to dissolve its Pryde's hamburger concept.

The agreement allows Spartan, Hardee's largest franchisee with 405 restaurants, to charter new territories as well as develop units within its existing franchise area. Spartan currently operates Hardee's in nine Southern and border states.

Under the deal, Spartan will either sell or convert its seven Pryde's restaurants to Hardee's units.

Jack in the Box's new Chicken Fajita Pita.

Jack in the Box adds second version of Fajita Pita

SAN DIEGO — Jack in the Box is rolling out a chicken-filled version of the Fajita Pita sandwich that sent the fast feeder's sales skyrocketing after its introduction a year ago.

The $2.49 Chicken Fajita Pita consists of a "pocket bread" filled with chicken breast strips, chopped tomatoes, two types of lettuce, four types of peppers, and shredded Cheddar cheese. Jack in the Box is quick to point out that the sandwich has only 350 calories.

In the past year the 900-unit chain has introduced a number of new products, ranging from egg rolls to oversized cheeseburgers to fuel a sales and earnings turnaround.

Bennigan's touts new line of Southwestern specialties

DALLAS — Eager to mine the public's ardor for regional American cuisines, the 200-unit Bennigan's dinner house chain is touting a new menu line of Southwestern specialties.

Included on the promotional menu is a signature item dubbed the Fajita Burrito, a hybrid blend of two popular Tex-Mex finger foods. It is available in both a beef and mesquite-grilled chicken version.

In recent years Bennigan's marketing strategy has pivoted on the short-term promotion of cuisines in vogue at the time. Hot-selling items are often added to the casual-themed chain's permanent menu.

Bildner ceases operation of Filene's restaurants

BOSTON — J. Bildner & Sons said it has ceased operating restaurants in Filene's department stores under a new agreement hammered out with Filene's parent, Federated Department Stores.

To break its two-year-old contract to run the restaurants, Bildner agreed to sell all of its assets in Filene's stores to Federated. Bildner also operated candy shops in the stores.

Western Steer sells chain to Kelley for $6.1M, stock

CLAREMONT, N.C. — Western Steer Mom 'n' Pop's Inc. has sold its seven-unit Mom 'n' Pop's country store and restaurant chain to former director E.W. Kelley for $6.1 million in cash and notes and about 80,000 shares of Western Steer stock.

After the deal was completed, Kelley resigned as a director.

Fuddruckers reformats in next step of comeback try

CLEARLAKE, Texas — Fuddruckers has opened a prototype restaurant here that the once-bankrupt chain is eying as its vehicle back to sound financial health.

The outlet, which is decorated in a Southwestern motif, features a more varied menu than did previous Fuddruckers hamburger restaurants. Included on the new listing are a grilled fish sandwich, fajita salad, and barbecued chicken salad.

With its dining room divided into sections, the prototype is more intimate than the sprawling Fuddruckers units of the past, said the 110-unit chain. A bakery and display kitchen were retained from the old format.

Food stores missing take-out market

By Rick Telberg

Restaurateurs have little to fear from the nation's supermarkets and convenience stores as long as food store merchandisers target white-collar professionals, according to an exclusive new study by Nation's Restaurant News.

NRN/SRI Poll

While food stores across the country are adding salad bars and expanding their deli operations to capture on-the-go, upwardly mobile consumers, the heaviest users of food store food service remain far more middle-class, the NRN/SRI Poll suggested.

Fully 44 percent of 1,000 consumers surveyed for NRN by SRI Research Center Inc. of Lincoln, Neb., said they rarely or never pick up a meal at a food store.

Of the 27 percent who said they do so at least once a week, blue-collar nonwhites seemed to dominate.

For instance, 34 percent of the consumers who identified themselves as pink- or blue-collar workers take a meal once a week from a food store. But only 14 percent of the professionals or managers do.

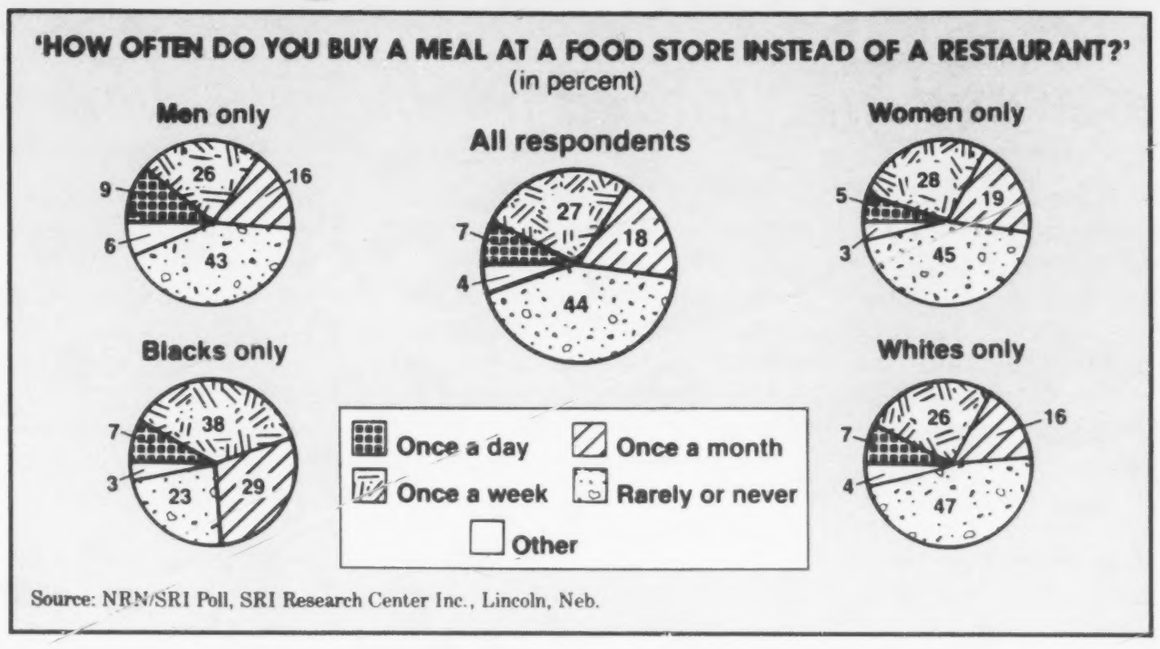
Among ethnic groups, only 26 percent of the whites said they eat on the run from a food store once a week. But 38 percent of blacks and 41 percent of Hispanics do.

The difference was even more striking among once-a-month users, where both blacks and Hispanics outnumber whites 2 to 1.

Among daily users the most striking finding was that men outnumber women 63 percent to 37 percent. Women outnumber men by 56 percent to 44 percent among the once-a-week users.

But the merchandisers are hitting their target market of young adults, the poll suggested. For example, 18-to-34-year-olds led the heavy-user once-a-week and once-a-day categories.

This month's question was phrased: "People sometimes purchase a meal at a food store—that is, a grocery store, convenience store, or specialty store—instead of going to a restaurant to eat. How often do you do this?"



Source: NRN/SRI Poll, SRI Research Center Inc., Lincoln, Neb.

Bay Street sold to management group

(Continued from page 1)

also be put on the auction block.

Pillsbury's new chairman, William Spoor, has declared that the 4,700-unit Burger King system is definitely not for sale despite rampant rumors to the contrary.

But he has yet to say anything about the fate of the 600-store Godfather's Pizza chain, which was identified as a possible divestiture candidate by Spoor's successor, John Stafford.

Before he was forced to resign, Stafford also indicated that Pillsbury would keep S&A's established dinner house chains, 165-unit Steak and Ale and 200-store Bennigan's.

Pillsbury, one of the nation's largest food concerns, has been reeling for the past two years from a sales and earnings slowdown. Investors have blasted Stafford for allowing the once-aggressive conglomerate to falter in the areas of marketing and new product development, which are often the keys to success in both the restaurant and food-processing industries.

Stafford succeeded Spoor as chairman, president, and chief executive in 1985. He was called out of retirement to reclaim his old posts.

Toward the end of Stafford's tenure, Pillsbury said it would attempt to streamline restaurant operations by jettisoning Bay Street, Key West, 30 Steak and Ale units, at least 160 Burger King outlets, and a recent start-up that operates restaurants in hotels. The strategy was to divest new or ailing businesses to concentrate more intently on core operations.

In the first deal actually penned since Pillsbury revealed those plans on Nov. 4, S&A signed a letter of intent to sell Bay Street to a group led by the chain's general manager, Alan Palmieri.

The group includes other Bay Street executives and Restaurant Capital, which was formed last summer by Restaurant Associates and the Oppenheimer & Co. investment banking concern.

As a partner in Restaurant Capital, Restaurant Associates is prepared to render whatever resources Bay Street might need to smooth the transition.

Terms of the Bay Street deal were not revealed.

S&A launched the Bay Street concept in 1984 to diversify its dinner-house holdings. "Alan [Palmieri] and his management team have been instrumental in developing the chain," noted S&A chairman Kyle Craig.

"Nothing is changing at Bay Street except the ownership," Palmieri declared.

"We plan to let the management of Bay Street run the chain as they have done since 1984," said Restaurant Capital president Bill Bouffard. "Our role is to work with Bay Street's management to make the change in ownership as smooth as possible."

However, as a partner in Restaurant Capital, Restaurant Associates is prepared to render whatever resources Bay Street might need "to smooth the transition in ownership and grow the business," Bouffard added.

"Restaurant Associates' chairman, Martin Brody, is taking a fatherly role," he said.

"We'll operate for the next 12 months with the same number of units currently open," Bouffard continued. "During that time we will work with management to put together a strategic plan for growth."

Restaurant Associates operates 112 restaurants, including the Acapulco, Charlie Brown's, the Office, and Charley O's chains. The New York-based company has just undergone a management-led leveraged buyout of its own.

"I've been a friend of Martin Brody for a long time," Bouffard said. "Last summer he spoke to me about finding ways for Restaurant Associates to leverage its expertise in operating restaurants."

At the same time New York-based Oppenheimer was seeking new ways of putting its financial might to use.

The result was the formation of Restaurant Capital in September.

"Since then, we've looked at probably 100 restaurant concepts [as possible acquisition candidates]," Bouffard said. "We have conversations under way right now with about a dozen." Key West is not among those concepts, he said.

"We want to be a boutique banking concern for the restaurant industry," he added. "We're interested in what we call 'signature concepts'—groups that are unique or different." He explained that Restaurant Capital plans to participate in the acquisition of such groups by providing the buyers with both financial and operational assistance.

For the year ended May 31, 1987, Pillsbury reported a decline in earnings of $182 million, down 12.5 percent from the prior-year figure, on revenues of $6.1 billion.

TW appoints Verney prexy at Winchell's

Verney

By Richard Martin

NEW YORK — TW Services, the food-service conglomerate, has named Denny's Inc. veteran James C. Verney president of WDH Services Inc., the managing partner in loss-plagued Winchell's Donut Houses L.P.

The 700-unit chain is 42 percent-owned by TW through Denny's, its California-based coffee shop subsidiary.

Verney, the veteran operations vice president of another Denny's division, the El Pollo Loco grilled chicken chain, will report to Jerome J. Richardson, TW's president.

Verney, who joined Denny's in 1974 and helped direct El Pollo Loco's growth from 15 units to nearly 100 during the past four years, succeeds Carl E. Hass, who resigned as president of Winchell's last December amidst widespread departures by Denny's and Winchell's executives.

TW bought Denny's last September, and Richardson took personal charge of the company in January upon the resignation of Donald L. Pierce, who was president of Denny's and chairman of Winchell's.

Richardson, TW chief executive Frank Salizzoni, and Verney are joining the board of Winchell's, with Richardson as chairman.

A source at TW said the seating of its officers on Winchell's board signaled TW's intention to retain its controlling stake in the troubled doughnut fleet rather than find a buyer.

However, observers noted that the presence of top TW officers on the board could help expedite a sale of the 40-year-old chain.

Mazzonelli dies

ATLANTIC CITY, N.J. — Rudy W. Mazzonelli, food and beverage vice president of the Showboat Hotel Casino here, has died after a long illness. He was 62 and resided in Somers Point, N.J.

He had been food and beverage vice president of Resorts International Hotel here for many years before joining the Showboat in 1984.

Mazzonelli, who resided in Somers Point, N.J., earlier had been food and beverage manager of the Pierre Hotel and the Waldorf Astoria Hotel in New York. He was a prominent member of the Friars Club.

Russo joins Hanson Industries

FRAMINGHAM, Mass. — Thomas J. Russo, a leading executive in the restaurant industry for the past two decades, has joined Hanson Industries as chairman and chief executive of its nine-company housewares group.

Russo

He heads a vast network of housewares manufacturing divisions in the United States, selling to retailers worldwide and warehouse facilities in the Far East.

The job offer came after Russo, as a consultant advising on possible improvements, had looked at various Hanson divisions. He did not look at Hanson's Ground Round restaurants (a chain he helped lead in the 1970s and early 1980s) in that capacity. Nor will he play any role in Ground Round, he indicated.

"The same principles which apply to managing a restaurant chain can be utilized in housewares and general merchandise businesses," Russo said. "I welcome this challenge at Hanson, although I am truly sorry to leave the restaurant industry, which I love so much."

Russo was a Howard Johnson Co. executive for 18 years, serving as restaurants and hotels president in the early 1980s, when HoJo was owned by the Imperial Group, a British conglomerate. He led an apparent turnaround as president of Ponderosa Steak Houses in 1985 and 1986 before resigning in early 1987.

CORRECTIONS

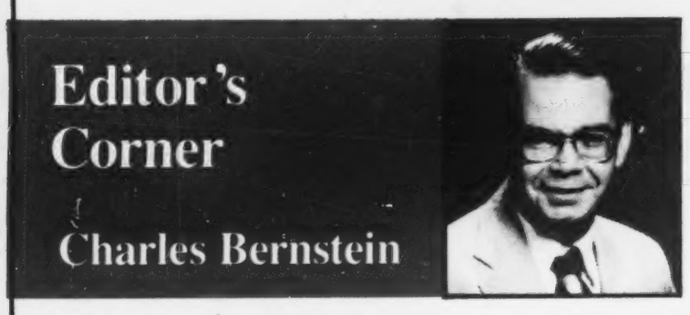
"Orlando," Page F3, Feb. 29, misidentified the city's mayor as Tom Frederick. In fact, his name is Bill Frederick. The same article was accompanied by a table that reported total 1987 retail sales in the Orlando area as $6.6 million, instead of, correctly, billion. "Fine-dining wars hit Orlando," Page F12, misspelled the name of a part owner of The Peabody Orlando Hotel as Bells Enterprises. In fact, it is Belz Enterprises.

FOCUS | VIEWPOINT

Chains play pawns in acquisition game

A spate of recent acquisitions is casting a cloud over the future of numerous chains. Already under pressure from saturated markets that are cutting into customer counts, operators can only be hurt more by uncaring outside influences.

Unfortunately, powerful investment companies and conglomerates are looking upon each food-service operation, not as a special kind of business, but as just another company to be plucked for its maximumworth. They fail to realize that this is not a manufacturing business, but rather a highly personalized service that requires an individualized approach.



John Kluge's Metromedia deal to acquire Ponderosa is one of the most puzzling acquisitions ever to hit the food-service landscape. Although he is usually perceptive in his dealings, the reasoning behind this one is unclear.

Coming just a year after investor Asher Edelman purchased Ponderosa for $235 million (with the blessing of longtime Ponderosa chief executive Gerald Office), this situation is baffling and demoralizing for a chain that has already faltered badly after turning around in 1986 under Thomas J. Russo's management.

Ponderosa apparently was just a financial toy in Edelman's growing network of unrelated companies. He now sees it as a tool that will make him millions of dollars in the Metromedia deal.

Exactly what New York-based Metromedia wants with Ponderosa or knows about restaurants is a mystery. Nor does Metromedia indicate the slightest concern, other than a financial one, about turning tottering Ponderosa around and making it viable in the marketplace.

Kluge, who sold Metromedia's widespread television holdings to Rupert Murdoch for $2 billion three years ago and also unloaded the Harlem Globetrotters and the Ice Capades, owns a long-distance phone company, a robot machine system for painting large billboards, 25 percent of a movie-television company, and other holdings.

Ponderosa—like too many other food-service chains—is nothing more than a pawn in a game for corporate profits, which tend to run into losses under such ownership.

Nor can one easily explain the logic behind the deals whereby Weatherly Private Capital of New York is buying Harry and Marilyn Lewis' California-based Hamburger Hamlets and the Lexington Investment Co. of Morristown, N.J., has acquired Morton's steak houses.

The Lewises and Chicago-based Arnold Morton remain consultants to the operations they so painstakingly developed. But control and real management have passed to investment corporations that know nothing about the restaurant business and don't seem to particularly care. They might just as well be investing in any other business.

This whole syndrome is a sad commentary on the loss of entrepreneurial spirit. If the founders felt they did not want to, or could not, retain ownership, it would have been better if a restaurant-oriented management were involved in any takeover.

It is also an illustration of the fierce operational and financial pressures that are increasingly forcing chains and entrepreneurs alike to sell to the highest bidder—whether that bidder is concerned with the future of the restaurants or not.

At least in Chi-Chi's case, where founder Shelly Frank previously stepped away, the chain is being acquired by a food-service company with restaurant experience rather than by an apathetic corporation, as had been threatened. Foodmaker Inc., slated to be Chi-Chi's new parent, has boosted its Jack in the Box units greatly in the last few years under Jack Goodall and earlier had operated diversified dinner houses under the Continental Restaurants banner.

Some question the eventual results of such recent acquisitions as Horn & Hardart's purchase of International King's Table, Anwar Soliman's takeover of Naugles and Del Taco, and TW Services' absorption of Denny's with Jerry Richardson as the new president. But these are food-service operators trying to run other food-service operations—not a foreign force stepping into food service.

Similarly, the Pritzkers' projected integration of Ramada into their Hyatt empire would at least create a compatible mix. But Revlon chairman Ronald Perelman's apparent desire to take over TW Services would represent an incompatible combination.

It takes a personal touch and feel to make food-service operations work. Financial and investment companies are ill-suited for such a role. Yet many corporations and investors still view food-service chains and the most illustrious individual restaurants as glamorous opportunities rather than recognizing the total commitments that such restaurants need to function properly.

Happily—if the pledge remains long-lasting—Pillsbury under just-returned chairman William Spoor ostensibly has finally decided to pour full resources into making Burger King a strong No. 2 and holding off a growing challenge from Hardee's as well as trying to regain overall market share.

Major corporations can handle restaurants only with executives dedicated to this sphere. General Mills restaurant group president Joe Lee, while failing with the Good Earth and Leann Chin, has scored heavily with Red Lobster and now with the Olive Garden. He has done so because he cares more about his restaurants, employees, and customers than about the corporation, loyal as he is to General Mills.

It takes this kind of personal anticorporate approach to succeed. The last things needed today are rolling out more widgets and treating restaurants as "stores," "manufacturing units," or "business units."

Selling out to the highest bidder may be a financial necessity for some, but it is an appalling blot on the industry. What's desperately needed in the ownership and leadership ranks is more people who love the restaurant business and fewer who regard it as just another investment.

LETTERS

MUFSO winners: Thanks for the Maui memories

Editor, NRN:

Sandy and I have recently returned from our MUFSO grand prize trip to the Westin Maui resort, and we would like to thank you for everything.

Hats off to the Westin Hotel; it is a fabulous, first-class facility that provides everything a guest could wish. The incredible pool area, golfing, diving, sailing, whale watching, great food, empty beaches, and the friendliness of its staff made the place a pleasure to enjoy. By the way, it doesn't rain on the Lahaina side of Maui.

We left the frigid confines of minus 10 degrees Fahrenheit and arrived a place where there are warm trade winds of 85 degrees and a water temperature of 78 degrees.

The Kaanapali Beach area is represented by the Sheraton, Marriott, and Hyatt Regency Hotels, to name a few, and all provide excellent facilities.

The representation at the luau at the Sheraton Maui is similar to a MUFSO convention—people there are from every part of the world.

After considerable thought, I think the grand prize format needs to be revamped. I suggest that, commencing with this year's MUFSO in Washington, the previous year's award winner should accompany the 1988 winner.

It's very important that someone familiar with the area make the winner's vacation memorable.

Sandy and I volunteer our services!

Once again thank you for making our first stay in Hawaii such an experience.

To all suppliers and those behind MUFSO—Mahalo.

—Gerry and Sandy Kinsella
Golden Griddle Pancake House Limited
Toronto

3 cheers for reminder that profit's not bottom line

Editor, *NRN:*

Thank you for your excellent Jan. 11 Editor's Corner column, "Beyond the bottom line, helping others in need." Bambolino's supports you 100 percent in your call for restaurant and chain executives "to set the highest standards of ethics in an age of confused values."

All of us too often forget that our businesses are part of a society and in fact have a social as well as and an economic responsibility to perform. We applaud your efforts in reminding us that what we do in our industry should have an impact far beyond making a profit. Three cheers!

—D. Drue Pollan Jr.
president
Bambolino's Original
Drive-Thru Italian Restaurant
Houston

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Wage hike OK'd by House

(Continued from page 1)
stamp legislation previously approved by the House Labor Standards Subcommittee.

That original measure, sponsored by Rep. Augustus Hawkins (D-Calif.) and Sen. Edward Kennedy (D-Mass.), called for a three-stage hike in the present $3.35 hourly wage floor, to $4.65. But instead of that formula, the committee approved Perkins' plan, which involves four annual increases in the minimum totaling $1.70 per hour.

As a result, instead of facing a 39-percent hike in the minimum wage, restaurateurs and other employers now risk being hit with an increase of more than 50 percent in the hourly rates because of their lowest-paid workers.

Food-service industry lobbyists played down the importance of Perkins' amendment, calling the $5.05-per-hour wage plan nothing more than a "bargaining chip" that congressional Democrats will deal away once the bill reaches the House floor for a showdown. If anything, National Restaurant Association officials told NRN, the $5.05 hourly wage plan could backfire on minimum-wage advocates by stiffening industry opposition to the legislation.

Under the Perkins plan, the current $3.35 rate will jump 50 cents next Jan. 1, to $3.85. After that, the minimum hourly wage will rise by an additional 40 cents at the beginning of each of the next two years, and finally by another 40 cents to $5.05 on Dec. 31, 1991.

For establishments employing tipped workers, the unprecedented increases would be softened somewhat by the separate amendment approved by the committee to raise the federal tip allowance. That provision, introduced by Rep. Tommy Robinson (D-Ark.), calls for increasing the current 40-percent tip credit to 45 percent in the first year and then to 50 percent in 1990.

Although this boost in the federal tip allowance is a far cry from the 100-percent credit originally demanded by the National Restaurant Association, industry lobbyists privately acknowledge that that plan was doomed from the start. Indeed, top NRA officials told NRN that they would consider a hike in the tip credit to 50 percent "a victory" because it would roughly offset the additional payroll tax imposed on the industry by last year's FICA tip tax law.

But while the higher tip allowance approved by the House committee will make a minimum-wage increase easier for some restaurateurs to swallow, on balance even these food-service operators will wind up paying sharply higher wage rates under the latest bill.

Indeed, even with a more generous 50-percent tip credit the actual dollar cost of employing each new full-time waitress or other tipped employee will experience a net increase of 52 cents per hour—more than $1,000 per year per worker—if the Education and Labor Committee's legislation is enacted by Congress.

That labor cost increase is on top of the extra payroll costs imposed on the food-service industry by Congress last year via the new Social Security tip tax. As a result of that legislation, the cost of employing a typical minimum wage-earning tipped employee rose by 65 cents an hour (or $1,300 annually) at the beginning of this year.

Capitol staff gets coverage

WASHINGTON — The House committee has voted to extend coverage of the Fair Labor Standards Act to congressional employees.

Under the proposal, wage-hour Capitol Hill employees and members of committee staffs of Congress not only will receive minimum-wage benefits but also will be covered by federal overtime law. The amendment, introduced by Rep. Steve Bartlett (R-Texas), was approved unanimously and referred to the Committee on House Administration for further approval.

In a joint effort by Rep. Matthew Martinez (D-Calif.) and Austin Murphy (D-Pa.), the House committee also voted to extend minimum-wage benefits to workers in the Virgin Islands but decided to exempt Puerto Rico from the bill.

How the wage plan would work

WASHINGTON — How will the wages of tipped waiters, waitresses, and other gratuity-receiving food-service workers be affected by the latest minimum-wage plan embraced by the House Education and Labor Committee?

The current minimum hourly rate is $2.01, calculated by subtracting the 40-percent tip credit from the minimum-wage rate of $3.35.

The rate would rise 5.5 percent, to $2.12 per hour, on Jan. 1, 1989, reflecting a 50-cent increase in the federal minimum wage, to $3.85, plus a rise in the current 40-percent tip allowance, to 45 percent.

A year later the hourly rate will climb by one cent, to $2.13 per hour, in 1990, reflecting a 40-percent increase in the minimum wage, to $4.25, combined with a 50-percent tip credit.

At the start of 1991, however, the wage minimum for tipped employees will increase 9 percent, to $2.33 per hour, and then at the end of 1991 climb by another 8.2 percent, to $2.52 per hour—50 percent of the new $5.05 hourly rate.

GOP stalls action on wage hike

WASHINGTON — Final committee action on this year's minimum-wage bill was postponed for at least a week to enable House Republicans to introduce a series of amendments of their own.

Among the GOP provisions expected to surface:

- A subminimum "training wage," under which restaurateurs will be able to hire and train new workers for a limited period at less than the regular hourly pay floor.
- Reduced wage rate increases providing for a two-stage hike in the minimum, to $3.60 per hour in 1989, and $4 in 1990.
- A broader small-business exemption, under which restaurateurs and other employers with fewer than 20 workers or less than $1 million in annual revenues would no longer be subject to the federal minimum-wage law.

Sous vide debated in KC

(Continued from page 1)
Cincinnati, said the process "is not something to be afraid of. It will not replace Richard Perry or Larry Forgione"—two chefs who shared the podium with Bruggemeier at a session on heartland cooking.

Comparing sous vide with the centuries-old method of cooking in parchment bags—*en papilotte*, as the French call it—Bruggemeier said, "It is extremely difficult, in fact impossible, to tell the difference between food that has been just cooked and food that has been sous vided."

Cookbook author Bert Greene, speaking at another session, wasn't so sure. "It's terrible that people want to pop things in the microwave," declared the New York-based author of "Honest American Fare." And, he added, "the worst thing is they want to put it in a pouch bag in the microwave."

Greene said he is concerned that too much emphasis is being placed on convenience. Americans might be losing the "great artistry of cooking. They're mainly interested in getting in and out of the kitchen."

Michael Grisanti, National Restaurant Association president, said sous vide offers restaurateurs "better utilization of manpower and more productive use of time."

Using the sous vide process, chefs can prepare meals in advance, pack them in vacuum-sealed plastic bags, and reheat them in hot water at service. The bags can be stored in refrigerators for three weeks or more. There is already talk in the industry about "kitchenless" restaurants using sous vide products exclusively.

Food historian Joanna Pruess specifically singled out microwaves, supermarket, and restaurant take-out departments and sous vide meals as part of the convenience revolution.

"Convenience is driving the supermarket and restaurant industries," Pruess said.

In a speech explaining how American and French chefs influence each other, Richard King, who operates The American Restaurant in Kansas City, noted that French technology "produced the new sous vide process which we Americans now use to preserve the shelf life of our new American cuisine. The crossover continues."

King recalled that French chef Pierre Franey, who worked at Henri Soule's Le Pavilion after moving to this country in 1939, switched to Howard Johnson and then slipped "some of the dishes he had prepared at Le Pavilion into plastic pouches" and froze them.

"This wonderful Frenchman," King continued, "utilized our technology so that we Americans could enjoy a roadside dining experience of such entrées as *boeuf Bourguignonne* fast and cheap at $4.95."

NRA's Grisanti noted that some food experts and futurists are predicting that advances in cooking and storage technologies might dictate how people eat in coming years.

"If vacuum-packaged meals with long shelf lives become widely accepted, experts have predicted that we may see double-drive-thru kiosks where customers can zip by and pick up a gourmet meal that can be microwaved at home," he said.

Bruggemeier called sous vide "simply an option" for restaurateurs and pointed out that "you cannot have great sous vide product without great raw product and great cooking talent."

He said he recently turned out a 12-course meal for 15 executives by himself, using sous vide product and a four-burner stove.

The Food and Drug Administration is less than thrilled with sous vide, however. The federal agency has declared that on-premises pouch cooking in restaurants violates existing health codes. But the FDA said last month that restaurateurs could continue to purchase and serve commercially prepared pouch products.

Technology is influencing other areas of food preparation as well, several conference speakers said.

Peasant plans 1st formal unit

(Continued from page 1)
seafood. Seating will be approximately 300.

The only item yet to be finalized is the name.

Reports said the Peasant group was leaning toward The City Grill. "That's the best candidate we have yet," said Steve Nygren, president of the $30 million organization that operates 13 restaurants in Atlanta and one in Washington, D.C.

In terms of size and scale, it would be the 15-year-old Peasant group's largest and most expensive project, estimated at $3 million. But Nygren and his staff, who consistently prosper in places where others can't stay open a year, know their biggest challenge is the Hurt Building's remote downtown location.

The part of Atlanta they'll be trespassing in has no destination draw. It lies several blocks southeast of the city's main convention fulcrum, where the Peasant group opened its profitable 350-seat Dailey's in 1981. The area is much less "tourist safe" than nearby Peachtree Center.

In fact, it will be the southernmost downtown restaurant location in the city. Therefore, dinner is considered the major challenge. But the uniqueness of the space will overcome that problem, Nygren believes. Another distinction will be the taking of reservations—a break from the Peasant's 15-year tradition.

"We're a believer in the philosophy that a metro area is only as strong as its center city," Nygren said. "For that reason we're willing to do anything in our power to make downtown Atlanta a more appealing place to visit, work in and live in," he added.

Thus is Nygren, who opened Pleasant Peasant in a dilapidated Peachtree Street building in 1973, committed to his daring downtown project. It will precede by a few months the reopening of Underground Atlanta, where Nygren has already announced he will launch a 350-seat clone of his Decatur-based Buck's.

In fact, the nearby quarter-million-square-foot Underground project, a retail, dining, and entertainment complex under development by the Rouse Co., could invite convention traffic through the Hurt Building neighborhood, which lies in a direct path from the downtown hotels.

Meanwhile, resident office tenants promise a thriving lunch business for The City Grill. Formerly a headquarters for Southern Bell, which built an office in midtown 10 years ago, the Hurt Building now houses attorneys, banking, and advertising clients, including King & Spalding, Atlanta's largest law firm.

Ironically, the Hurt is also home to Central Atlanta Progress, an association of business leaders dedicated to improving downtown Atlanta's image. Other tenants include the State Bar of Georgia and Georgia Bankers Association. Atlantic Realty Co. has owned the building for 52 years.